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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed as a separate compilation.

MINISTRY OF INDUSTRIAL DEVELOPMENT, I. T. AND C. A.

(Department of Industrial Development)

RESOLUTION

New Delhi, the 3rd October 1969

No. 1(58)/68-A.E.Ind.(I).—The Tariff Commission submitted its Report in August, 1968 on the Fixation of Fair Selling Prices of Automobiles on the basis of an enquiry undertaken by it under Section 12(d) of the Tariff Commission Act, 1951 (50 of 1951). Its recommendations are stated below. Professor K. T. Merchant, one of the three members of the Tariff Commission who have signed the Report has, in a note of dissent, expressed views different from those of the other two members on recommendations Nos. (ii), (iii), (iv), (xii), and (xiii), and his views are given briefly in brackets below the said recommendations:—

(i) The fair price of Fiat car cannot be related to the cost structure but judging from differentials based on the functional properties of the three cars, it would be desirable to fix the price of this car at a figure midway between Ambassador and Standard. The net dealers' prices of Ambassador, Fiat and Standard Herald (2 door model) should be Rs. 14,120, Rs. 13,300 and Rs. 12,485 respectively.

(ii) The rate of dealer's margin applicable to each type of vehicle may be left to mutual settlement between the dealer and the manufacturer. In the case of passenger car, a margin of 7½ per cent of the ex-factory price is considered adequate.

(Professor Merchant has not agreed with the view that 7½ per cent of the ex-factory price as commission to dealers on passenger cars would be adequate. He is of the view that this may be left to be decided by the parties concerned.)

(iii) Comparative study of the estimates of demand for passenger cars and their anticipated production during the next three years indicate that there would be a large gap between supply and demand and the abandonment of the procedures now obtaining for the registration of the vehicles and obtaining them by order would not only create enormous amount of confusion but also open the door for discriminating sale and malpractices. The same holds good of price control which exists now. Until the availability is equivalent to the demand no effective competition as between different makes of vehicles can be generated.

(Professor Merchant has expressed the view that price control on passenger cars should be removed and market forces allowed to determine their prices. In order, however, to provide incentive to efficient units—efficient in costs and quality—he has recommended that an increased amount of foreign exchange for raw material should be allowed to efficient units and that allotted to inefficient units curtailed.)

(iv) A comparative study of the cost of passenger cars manufactured in India with their successor models in foreign countries shows that the cost of manufacture of indigenous cars is decidedly very high.

(Professor Merchant has expressed the opinion that the comparison of prices of indigenous cars with those of foreign cars is not valid as they differ in many respects and the conditions, methods and techniques of production in India and abroad are dissimilar.)

(v) A reasonable ex-works price of jeep including return is determined at Rs. 14,247.

(vi) The fair ex-works prices of Simpson's engines are indicated in paragraph 10.5 and those of different types of commercial vehicles in Table 21.

(vii) In the context of lifting of control on the prices of all commercial vehicles there is fairly intense competition between different manufacturers of trucks and this will ensure that prices will automatically be adjusted according to the performance of the respective models. The question of fixing fair selling prices of commercial vehicles as such has not, therefore, been specifically dealt with by the commission.

(viii) With the production and supply position increasing all round in the coming years and also the improvements recently noticed in the general economy, the introduction of either statutory or informal price control on commercial vehicles is not favoured.

(ix) The costs indicated in this Report in respect of commercial vehicles are not intended to be the basis for any statutory or informal price control. The study into costs, however, has revealed many areas in which economies could be achieved.

(x) Since prices of commercial vehicles are decontrolled and there is no possibility of reimposition of controls in the near future, cost examination of the commercial vehicles is more or less of academic interest. If and when market conditions require re-control, the present estimates would have already been rendered out of date and a fresh cost examination will become necessary. It would then be more desirable to proceed from the very outset with the objectives enunciated in the analysis of costs in this Report, in order that more scientific results are arrived at.

(xi) As the vehicles in which Simpson's diesel engines are used are no longer under price control, it is anomalous to seek to maintain this control only on one item of bought-out finished assembly.

(xii) The ISI or some other expert body may draw up a detailed list of components of which an automobile is composed and prescribe the

ranges of specifications for the materials needed for them. It is also desirable to include in the same standard the input weight as related to the output of each item.

(Professor Merchant has observed that each company has its own standards in relation to its foreign collaborators, which need to be suitably modified to include all indigenous materials and fabrication facilities. Each unit should also set up a standards department and collaborate with ISI for evolving standard specifications for components and raw materials.)

(xiii) Along with the steps to be taken for evolving standards for materials both in relation to specifications and quality, standards may also be laid down for the uniformity of nomenclature of components and the aggregation of the components into sub-assemblies and assemblies for passenger cars and commercial vehicles.

(Professor Merchant has expressed the view that automobile is not a standardised product and therefore, it is not feasible to have uniform constituents for assemblies and sub-assemblies and that standards for uniformity of nomenclature need not be viewed as essential.)

(xiv) A substantial reduction should be made in the rates of import duty on items of raw materials which are not likely to be produced in the near future and for which no indigenous substitutes are available. These rates may periodically be revised to ensure that items for which production capacity has been set up do not continue to enjoy the concessional rate.

(xv) A stricter control over the import of deleted CKD packs is necessary.

(xvi) In the case of all items which can be produced in the country, imports should not be encouraged. In some cases this may lead to higher costs, but such a step would still be desirable since it will be conducive to saving on foreign exchange besides reducing dependence on foreign sources.

(xvii) The industrial base available in India today cannot be considered inadequate for the support of a low volume of automobile industry, if there is adequate coordination and planning.

(xviii) Systematic efforts should be made by the producers of passenger cars to introduce the necessary economies in production with a view to reducing the remaining disparity and reaching parity with foreign manufacturers.

(xix) Although no price control has been recommended for commercial vehicles, a proper study into the industry's requirements of foreign exchange, which should be kept to the minimum, is recommended.

2. In regard to recommendation No. (i), the Tariff Commission had arrived at the net dealer price of Ambassador car as Rs. 14,120 on the basis of an annual production of 22,000 cars and 13,600 trucks. In view of the higher rate of car production since achieved by the Hindustan Motors Ltd., the Commission were requested to rework the net dealer price of Ambassador Car on the basis of an annual production of 24,000 cars and 12,000 trucks. The Commission have accordingly, in a supplementary report, recommended the net dealer price of Ambassador Car as Rs. 14,006. Government accept the revised recommendations of the Commission in so far as the Net Dealer Price of Ambassador Car is concerned.

As regards the Fiat Car, Government are not in agreement with the method adopted by the Commission in determining the net dealer price for this make of car. They have accordingly decided to request the Commission to recost the Fiat Car on the basis of the manufacturing unit operating as a really efficient production unit and recommend fixation of a fair selling price, taking into account all the relevant facts and data relating to production, the interests of the consumer and the quality standards, as expeditiously as possible. Pending receipt of the revised recommendation of the Commission, Government have decided to accept the recommendation that the price of Fiat Car should be fixed at a figure

midway between the prices of Ambassador and Standard Herald cars recommended by them and have accordingly fixed the net dealer price of Fiat Car at Rs. 13,245 for the time being.

As regards Standard Herald Car, the net dealer price recommended by the Commission relates to the two door model which has long since been replaced by the four door model. The Commission has already been requested to cost the four door model of this make of Car and recommend the fair selling price for it. The net dealer price of the four door model will be fixed on receipt and examination of the recommendations of the Commission. In the meantime, Government have decided not to revise the current net dealer price of the Standard Herald Car.

3. In regard to recommendation No. (ii), Government are of the view that the current approved amounts of dealers' commission in respect of the three makes of cars are adequate and need not be raised. Government, however, agree with the Commission that the rate of dealers' margin may be left to mutual settlement between the dealer and manufacturer within the ex-factory price notified by the Government.

4. Government accept recommendation No. (iii). In view of the recent action of two of the car manufacturers in raising the selling prices of their cars by large amounts in disregard of the system of informal price control and the practice hitherto in vogue, Government have further decided to control the prices of cars as on a statutory basis under Section 18G of the Industries (Development and Regulation) Act, 1951.

5. Government have noted recommendations No. (iv), (xvi) and (xvii).

6. As regards the recommendations No. (v), (vi), (vii), (viii) and (x), Government had removed the price control on commercial vehicles and jeeps in September, 1968. Government agree that there is no need to reimpose price control on these types of automobiles, for the present. Government would, however, keep a close watch on the market conditions and the developing trends in prices and review the position periodically with a view to satisfying themselves that circumstances continue to be such as not to warrant reimposition of price control.

7. Government accept recommendation No. (xi). In view of the fact that Government have removed price control on commercial vehicles on which diesel engines manufactured by Messrs Simpson and Company are fitted, they have decided that the informal price control on vehicular diesel engines manufactured by this company may also be removed.

8. Government will examine recommendation No. (xii), (xiii) and (xiv) in consultation with the concerned authorities.

9. Government have taken note of recommendations Nos. (xv) and (xix) and suitable action will be taken to implement them to the extent practicable.

10. The attention of the industry is invited to recommendations No. (ix) and (xviii).

ORDER

Ordered that a copy of the resolution be published in the Gazette of India and thereof communicated to all concerned.

R. V. SUBRAHMANIAN, Jt. Secy.

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